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United States Senate

COMMITTEE ON VETERANS' AFFAIRS

WASHINGTON, DC 20510

March 5, 2010

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the Democratic and Independent Members of the Committee on Veterans' Affairs (Undersigned Members) hereby report to the Committee on the Budget their views and estimates on the Fiscal Year 2011 (FY11) budget for Function 700 (Veterans' Benefits and Services) and for Function 500 (Education, Training, Employment, and Social Services) programs within the Committee's jurisdiction, including the Court of Appeals for Veterans Claims. This letter responds to the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction, albeit from the perspective of the Undersigned Members.

I. SUMMARY

The Undersigned Members support the President's request for the FY11 budget for the Department of Veterans Affairs, but recommend an increase, above the Department's requested discretionary amounts, of \$30 million for Information Technology, \$12 million for the Office of Inspector General, \$25.5 million for Medical and Prosthetic Research, \$235 million for Minor Construction, \$20.5 million for Vocational Rehabilitation and Employment, and \$57 million in funding for a new program to support family caregivers. The result of these recommendations is an overall funding amount of \$380 million above the Department's requested discretionary amount for FY11.

The FY10 Appropriations Act (Public Law 111-117) provided \$48.183 billion in resources for FY11 for three medical care accounts through advance appropriations. In addition to the appropriated resource level, we anticipate collections in the amount of \$3.355 billion, for a total FY11 resource level of \$51.538 billion. We support the Department's request for an increase over the FY10 funding level of \$3.702 billion for medical care services.

While the requested appropriations level for FY11 appears sufficient to meet the estimated demands of FY11, we are concerned that the President's requested advance appropriations level for FY12 may not satisfy the health care needs of veterans, based on anticipated increases in veterans' health care service demands. At this time, however, we support the President's request of \$50.611 billion in FY12 advance appropriations for the three medical care appropriations. When combined with the anticipated collections amount of \$3.679 billion, the total requested resource level of \$54.290 billion for FY12 would represent an increase of 5.3 percent over the FY11 estimate to support approximately 6.2 million patients. We anticipate adjusting this FY12 estimate over the coming year, as more current actual obligation data become available. In addition, we plan to review the Government Accountability Office's report on its analysis of the Administration's advance appropriations projections as compared to VA's Enrollee Health Care Projection Model.

With respect to mandatory benefits, sufficient funding should be provided to support a

reasonable increase in the Specially Adapted Housing Grant program for FY11 and to not impose a Cost-of-Living Adjustment round-down for the upcoming fiscal year.

II. DISCRETIONARY ACCOUNT SPENDING

A. Medical Services

The President requests an overall funding amount of \$40.742 billion for Medical Services for FY11, an increase of \$2.159 billion over the amount in FY10. We support the President's request for an additional \$2.159 billion in funding for Medical Services, as described in greater detail below:

Components of Recommended Increases

1. Health Care Services

Acute Care (+\$173 million): VA provides veterans with acute care services that include inpatient hospital care, ambulatory care, and pharmacy services. Inpatient acute care services include neurology and surgery. Ambulatory care includes care provided at VA hospital-based and community-based clinics, as well as contracted non-VA facilities. Pharmacy services include prescriptions, over-the-counter medications, and pharmacy supplies. VA estimates the demand for such services will cost \$27.137 billion in FY11, necessitating an additional \$173 million in needed funding over the FY10 amount.

The Undersigned Members support the President's request for an additional \$173 million for acute care funding for FY11.

Rehabilitation (+\$36 million): VA's rehabilitative care programs include the Blind Rehabilitation and Spinal Cord Injury programs, among others. Pursuant to Public Law 104-262, which established the requirement that VA maintain its capacity to provide for the specialized treatment and rehabilitative needs of patients, the Administration is expanding the Blind Rehabilitation program to accommodate the increased workload due to additional numbers of eye injuries among Operational Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans.

The Undersigned Members support the President's request for an additional \$36 million in funding for FY11 for VA's rehabilitation programs.

Mental Health (+\$410 million): Funding for mental health supports inpatient, residential, and outpatient mental health programs. The number of veterans diagnosed with substance abuse problems is increasing, necessitating more resources for mental health services. The proposed additional funds will support the following: integration of VA's specialized mental health services with primary care; expansion of VA's specialized substance abuse programs per Public Law 110-387; expansion of VA's capacity to provide inpatient psychiatric and residential care; addressing family-related needs of returning veterans experiencing distress following reentry into civilian life; more effective treatment for post-traumatic stress disorder (PTSD); treatment for veterans with traumatic brain injury; and efforts to prevent suicide among veterans.

VA is integrating mental health and primary care in more than 100 sites to facilitate treatment and has enhanced the capacity of general mental health, substance abuse treatment, and specialized PTSD

has enhanced the capacity of general mental health, substance abuse treatment, and specialized PTSD programs.

The Undersigned Members support the President's request for an additional \$410 million in funding over FY10 levels for mental health services, for a total funding amount of \$3.717 billion for FY11.

Prosthetics (+\$148 million): VA provides funds to veterans for the purchase and repair of prosthetics and sensory aids, such as artificial limbs, hearing aids, pacemakers, artificial hip and knee joints, ocular lenses, and wheelchairs. VA estimates the demand for such prosthetics and repairs to cost \$1.699 billion in FY11 and requests an additional \$148 million in needed funding over the FY10 amount. Funding allocations for 2010 were based primarily on FY09 expenditure data from the National Prosthetics Patient Database. As of July 2009, VA reported that 557 OEF/OIF veterans with amputations were using the VA health care system.

The Undersigned Members support the President's request for an additional \$148 million in funding for FY11, for a total amount of \$1.847 billion to meet the demand for prosthetics in FY11.

Dental Care (+\$47 million): VA provides veterans with dental care services that include onetime Class II benefits to all newly discharged combat OEF/OIF veterans within 180 days of discharge. Class II benefits are provided to veterans with service-connected, non-compensable dental conditions or disabilities shown to have been in existence at the time of discharge or release from active duty. VA also provides dental services to veterans placed into dental Classifications III and IV, those with a condition negatively impacted by poor dentition. VA estimates the demand of such services will cost \$494.936 million in FY11, necessitating an additional \$47 million in funding over the FY10 funding amount.

The Undersigned Members support the President's request for an additional \$47 million in funding for FY11, for a total funding amount of \$494.936 million for dental care for FY11.

Long Term Care (+\$819 million): VA projects the institutional care average daily census (ADC) will increase from 39,937 to 41,123 (3 percent) from 2010 to 2011, and the non-institutional care ADC will increase from 93,935 to 111,484 (19 percent) from 2010 to 2011. Of this increase in the non-institutional care ADC, VA's use of home telehealth accounts for 28.6 percent of the increase. To support this increased demand for telehealth, VA will be dedicating \$163 million of the \$819 million increase requested for long term care in FY11 to telehealth services, which is an increase of \$41.8 million, or 34.5 percent, above the FY10 level. Telehealth and telemedicine have been shown to improve health care by increasing access, eliminating travel, reducing costs, and producing better patient outcomes, and we applaud these efforts.

The Undersigned Members support the President's request for an additional \$819 million in funding for FY11, for a total funding amount of \$5.388 billion for long-term care services.

Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) (+\$109 million): CHAMPVA provides health care benefits for dependents and survivors of veterans who are, or were at time of death, 100 percent permanently and totally disabled from a service-connected disability, or who died from a service-connected condition. CHAMPVA costs continue to grow as a result of several factors. The Veterans' Survivor Benefits Improvements Act of 2001 expanded eligibility to those 65 years of age and older who would have lost their CHAMPVA eligibility when they became

eligible for Medicare. The Veterans Benefits Act of 2002 also allowed retention of CHAMPVA for surviving spouses remarrying after age 55. In addition, VA projects on increasing volume of claims, along with increasing transaction fee costs for processing electronic claims. The factors combined are projected to result in a 10.1 percent increase in costs from 2010 to 2011.

The Undersigned Members support the President's request for an additional \$109 million in funding for FY11, and recommend a total funding amount of \$1.114 billion for CHAMPVA services.

Readjustment Counseling (+\$7.4 million): VA furnishes readjustment counseling at VA's Vet Centers to veterans who served in combat zones, including those involved in OEF/OIF. VA had 271 Vet Centers operating across the country in 2009, expanded to 299 in the current fiscal year, and intends to operate 300 in 2011. Vet Centers provide essential counseling related to combat service, bereavement counseling for families of service members who die while on active duty, as well as outreach and referral services. VA expects an increase in PTSD and other mental health conditions as veterans return from OEF/OIF after multiple tours of duty. The President requests \$179 million in total funding for FY11 to meet the increasing demand for readjustment counseling.

Therefore, the Undersigned Members support an additional \$7.4 million in funding for FY11, and recommend a total of \$179 million in funding for readjustment counseling.

Other VA Health Care Programs (+\$3 million): VA operates a number of other VA health care programs, such as the Community-Based Domiciliary Aftercare/Outreach Program; the Residential Care Home Program; and the State Home Hospital Program. The VA/DOD Health Care Sharing Incentive Fund will also require continued funding. VA projects a slight increase in demand for these services, necessitating an additional \$3 million in funding for FY11 above the FY10 funding amount.

The Undersigned Members support the President's request for an additional \$3 million in funding for FY11, and recommend a total funding amount of \$44.895 million for other health care programs.

Combat Homelessness Pilot Program (+\$26 million): VA is requesting \$26 million in funding for FY11 for continued support of the Combat Homelessness Pilot Program, through which VA partners with non-profit organizations, consumer co-operatives, and other agencies to assist families of veterans that might otherwise become homeless.

The Undersigned Members support the President's request for \$26 million to support VA's Combat Homelessness Pilot Program for FY11, an amount that equals the support provided to the program in FY10.

2. New Initiatives

While the Undersigned Members of the Committee support the expansion of many existing initiatives in the areas of mental health, readjustment counseling, and rehabilitative care as discussed above, we believe that more can and should be done – especially in the areas of homelessness, long-term care, and family caregiving. The Undersigned Members support the Administration's proposed "New Initiatives" discussed below.

Zero Homelessness (+286.85 million): In an effort to end homelessness among veterans, VA proposes to enhance its current efforts to house homeless veterans by expanding the capacity of the

Homeless Veterans (HCHV) Contract Housing, Homeless Providers Grant and Per Diem, and Domiciliary Care for Homeless Veterans (DCHV) programs.

We support the President's request for \$286.850 million for 2011 to expand its efforts to end homelessness through the Zero Homelessness Initiative.

Telehealth, Non-Institutional Long-Term Care (+\$40 million): Telehealth technology expands access to care for veterans in rural and highly-rural areas. A recent study found patients enrolled in home telehealth programs experienced a 25 percent reduction in the average number of days hospitalized and a 19 percent reduction in hospitalizations. In addition to providing better outcomes, these methods also decrease costs of health care.

The Undersigned Members support the President's request for an additional \$40 million to expand its Telehealth Initiative in 2011 for its non-institutional long-term care patients, with the goal of reducing overall costs by providing more accessible high quality health care to veterans residing in rural areas.

Family Caregivers (+\$57 million): The Committee is in the final stages of bringing forward compromise legislation (S. 1963) to establish a caregiver program within VA. This program would authorize VA to provide training and supportive services to family members and other loved ones who wish to care for a disabled veteran in the home and to allow veterans to receive the most appropriate level of care. The newly authorized supportive services would include training and certification, a living stipend, and health care – including mental health counseling, transportation benefits, and respite. The Committee believes the score assigned to this legislation by the Congressional Budget Office (CBO) is incorrect due to several errors in interpretation, including:

- Grossly overestimating the population of veterans who will be eligible for caregiver services. A more correct estimate¹ provided by Center for Naval Analyses (CNA) is 720 veterans per year as opposed to 48,850 as estimated by CBO. CBO and VA assume that the proposed new program will apply to all injured veterans regardless of how seriously they are injured or when they were injured. The legislation clearly states it applies only to “seriously injured or very seriously injured” (SI/VSI) veterans who were injured or aggravated an injury in the line of duty on or after September 11, 2001.
- Overestimating the length of time a veteran will require caregiver services. CBO and VA assume it will be indefinite. CNA's study finds the average requirement is for 18 months. Only 43 percent of veterans require caregiver services in the long-term.
- CBO also assumes that all enrolled veterans will need a full-time caregiver, whereas CNA has found that, on average, veterans need only 21 hours of services per week.
- Assuming that 100 percent of injured veterans will utilize the program. According to written testimony from Gerald Cross, M.D., VA's former Acting Under Secretary for Health, to date, only 233 family members have been referred for caregiver training and certification.

Based on these points, the Undersigned Members strongly recommend funding the new caregiver program using the Committee's estimate of \$57 million in FY11.

¹ - Christensen, Eric, Candace Hill, Pat Netzer, DeAnn Farr, Elizabeth Schaefer, Joyce McMahon. (April 2009). *Economic Impact on Caregivers of the Seriously Wounded, Ill, and Injured*. CNA Publication (CRM D0019966.A2).

Based on these points, the Undersigned Members strongly recommend funding the new caregiver program using the Committee's estimate of \$57 million in FY11.

3. Major and Minor Construction (+192 million):

The Administration requested \$1.151 billion for Major Construction in FY11, which is a decrease of almost \$43 million from the FY10 funding level. Although this request supports 3 medical facility projects already underway and begins 2 new medical facility projects, there remains a huge backlog of partially-funded construction projects. The Major Construction request also fully funds the 2011 resources required to support gravestone expansion at three National Cemeteries. This expansion will provide a burial option to an additional 500,000 deceased veterans and eligible family members, address concerns in urban areas, and encourage new burial practices such as "green" or eco-friendly burial methods. The new policies will increase the current strategic target for the percent of the veteran population served by a national or state veterans cemetery within 75 miles of their home to 94 percent.

VA has included a new initiative in the Major Construction appropriation. Funding in the amount of \$23.964 million is requested to support resident engineers on major construction projects of the Veterans Health Administration and National Cemetery Administration. This funding will support approximately 140 engineers at nearly 50 sites across the country. Funding will cover all costs for these employees, including salary and benefits, training, travel, permanent change of station funds, etc. This proposal would allow for additional critical staff in the areas of planning, acquisition, as well as architectural and engineering support to help VA better manage its physical infrastructure.

For Minor Construction, the Administration's budget request of \$467.700 million would reduce the account from its FY10 level by over \$235 million. However, the costs of repairing all of the facilities in need of repair – via minor construction and nonrecurring maintenance funds – would total over \$9 billion. Funding for minor construction must, at the very least, stay at a consistent level from the previous fiscal year.

Therefore, the Undersigned Members support the President's request for \$1.151 billion for Major Construction for FY11, a decrease of nearly \$43 million from FY10 levels. We also recommend a total of \$467.7 million for Minor Construction in FY11, which is an additional \$235 million over the level requested by the Administration, and virtually the same amount as appropriated in FY10.

4. Legislative Proposals (+\$22.777 million):

The President requests an additional \$58.201 million in funding for FY11 to support a variety of legislative proposals. Such proposals, which the Undersigned Members support, include \$18.9 million for the Homeless Providers Grant and Per Diem Program to encourage eligible entities to establish community-based programs that furnish outreach, supportive services, and transitional housing for female homeless veterans, homeless veterans with chronic mental illness, and veterans who are frail and/or terminally ill.

In addition, reinstatement of the Health Professional Scholarship Program and providing medical care for newborns are included in the total requested amount of \$58.201 million. As the Committee is on the verge of passing these or related provisions, it is critical to allocate sufficient funding for these initiatives.

The President also proposes to provide caregiver support in the form of CHAMPVA coverage, travel expenses, education, and training. These caregiver provisions are included in the pending S. 1963 and are accounted for in the Family Caregivers section above. The total amount of the VA requested provisions is \$35.424 million, which has been deducted here as those provisions are funded in the Family Caregivers total above.

Therefore, the Undersigned Members recommend an additional \$22.777 million in funding for FY11 to support these legislative proposals.

5. Policy Highlights (The proposed increases for the following veteran groups are incorporated within the above requested amounts.)

Women Veterans: Women veterans are the fastest growing segment of veterans. The percentage of women veterans is nearing eight percent and expected to rise substantially over the next two decades. While VA is an institution originally designed and focused toward serving male veterans, there is a crucial need to adapt to this change in the veteran population.

We support the President's request for an additional \$19 million in funding for women veterans. An increase in the FY11 budget toward women veteran specific programs is a positive sign that VA is making an effort to ramp up services for the rapidly growing number of women veterans.

OEF/OIF Veterans: VA anticipates treating 439,000 OEF/OIF veterans in the next fiscal year, an increase of over 56,000 (or 14.8 percent) above the 2010 level. In 2011, OEF/OIF patients represent 7.2 percent of the overall VA patients served. Through October 2009, VA reported that, of the 480,324 separated OEF/OIF veterans who have sought VA health care since FY 2002, a total of 227,205 unique patients had a diagnosis of a possible mental health disorder; of this total, 120,480 had a probable diagnosis of PTSD; 83,671 were diagnosed with depression; and 22,261 received a diagnosis of alcohol dependence syndrome. These statistics highlight VA's efforts to proactively identify mental health conditions among returning OEF/OIF veterans, for the purpose of intervening early to prevent chronic disorders and their debilitating impact on the quality of life of veterans. Additionally, due to improved battlefield medicine, OEF/OIF veterans are surviving more serious injuries, but are often left with amputations and traumatic brain disorder. These conditions result in profound health care needs.

We support the President's request for an additional \$597 million in funding towards OEF/OIF care for veterans. As more OEF/OIF veterans return from multiple tours of duty, the FY11 budget increase will be critical to meeting the increased demand for rehabilitative care, mental health care, and readjustment counseling.

Priority Group 8 Veterans: VA's goal is to increase the enrollment of Priority 8 veterans – namely, those with incomes above a threshold based on family size who either have no service-connected disability or a zero percent disability rating – by 500,000 by FY13. In 2009, VA opened enrollment to Priority 8 veterans whose incomes exceeded last year's geographic and VA means-test thresholds by no more than 10 percent. VA estimates that 193,000 more veterans will enroll for medical care by the end of 2010 as a result of this policy change. In 2011, VA plans to further expand health care eligibility for Priority 8 veterans to those whose incomes exceed the geographic and VA means-test thresholds by no more than 15 percent compared to levels in effect prior to expanding enrollment in 2009. VA anticipates that this additional expansion of eligibility for medical care will result in 99,000 new enrollees in 2011, bringing the total number of new enrollees from 2009 to the end of 2011 to 292,000.

The Undersigned Members support the President's budget request to be funded in full to ensure adequate funding for the enrollment of Priority 8 veterans.

B. Medical Support and Compliance (+\$377 million) and Medical Facilities (+\$881 million)

The Medical Support and Compliance appropriation provides funds for the expenses of management, security, and administration of the VA health care system. Such costs include operation of VA medical centers, VHA headquarters, Veterans Integrated Services Network (VISN) offices, Facility Director offices, Chief of Staff operations, quality of care oversight, security and legal services, billing and coding activities, procurement, financial management, and human resource management.

The President's FY11 and FY12 estimates for the Medical Support and Compliance appropriation are based on an actuarial analysis founded on current and projected veteran population statistics, enrollment projections of demand, and case mix changes associated with current veteran patients.

We support the President's recommendation of \$377 million in funding over FY10 levels for Medical Support and Compliance and \$881 million in funding over FY10 levels for Medical Facilities. We expect these funding levels to be adequate to maintain current levels of service.

C. Medical and Prosthetic Research (+\$34.5 million)

VA medical and prosthetic research is key to advancing health care in the nation, not only for veterans but for the population at large. As the nation's largest health care network, VA has unparalleled resources with which to conduct research, including its cadre of dedicated physician researchers. It is for this reason that the Undersigned Members are concerned by the Administration's request for only an additional \$9 million over the FY10 funding level, with no planned increase in FTE. This limited request is insufficient when compared to the \$70 million increase requested in FY10 over the FY09 amount. Additionally, the Independent Budget projects a biomedical research and development inflation rate of 3.3 percent in FY11 however VA's request is only 1.5 percent greater. This amount would cover less than half of the increase in expenses due to inflation, which would have an adverse impact on quality.

The Undersigned Members recommend \$34.5 million over the FY10 level, for a total of \$624.5 million for FY11.

D. Information Technology (+\$30 million)

The FY11 President's Budget does not provide for any increase in the area of Information Technology (IT). However, there are several new and current initiatives VA intends to accomplish that will require IT support. While it is commendable that VA is carefully reviewing and prioritizing all IT projects, we are concerned that flat-lining this area would be problematic in accomplishing new initiatives or other important but lower-profile projects, were it not for the large increase in the FY10 budget and carry over from FY09. VA believes flat-lining the budget will not have a negative impact on both VBA and VHA IT initiatives and claims that it can carry out operational support, security requirements, and develop new projects within the FY10 budget level requested.

The Undersigned Members, therefore, support the President's IT budget (as proposed) and are hopeful that the days of investing significant funds into mismanaged programs are in the past.

Health-Related Funding by Medical Care Account

Needed Discretionary Revenue for FY11 (dollars in thousands)	Total FY11	Increase above President's FY10
Medical Services:		
<i>Health Care Services:</i>		
<i>Acute Care</i>	\$27,136,581	\$173,000
<i>Rehabilitative Care</i>	\$535,846	\$36,000
<i>Mental Health</i>	\$3,717,136	\$410,000
<i>Prosthetics</i>	\$1,698,613	\$148,000
<i>Dental Care</i>	\$494,936	\$47,000
<i>Long term Care</i>	\$5,387,995	\$819,000
<i>CHAMPVA</i>	\$1,113,947	\$109,000
<i>Readjustment Counseling</i>	\$179,000	\$7,400
<i>Other VA Health Care Programs</i>	\$44,895	\$3,000
<i>Combat Homelessness Pilot Program</i>	\$26,000	\$0
<i>Initiatives:</i>		
<i>Zero Homelessness</i>	\$286,850	\$286,850
<i>Telehealth</i>	\$40,000	\$40,000
<i>Family Caregivers</i>	\$57,000	\$57,000 ²
<i>Legislative Proposals</i>	\$22,777	\$22,777
Total Medical Services	\$40,741,576³	\$2,159,027
Medical Care Appropriations:		
(1) Medical Services	\$37,136,000	\$2,443,500
(2) Medical Support and Compliance	\$5,307,000	\$377,000
(3) Medical Facilities	\$5,740,000	\$881,000
Total Recommended for Medical Care Appropriations (without Collections & Reimbursements)	\$48,183,000	\$3,701,500
Collections	\$3,355,000	\$329,000
Total for Medical Care Appropriations with Collections (without Reimbursements)	\$51,538,000	\$4,030,500
Reimbursements	\$327,000	\$14,800
Total Obligations for Medical Care Appropriations with Collections and Reimbursements	\$51,865,000	\$4,045,300
Total for Medical and Prosthetics Research	\$624,500	\$34,500⁴
Total for Information Technology	\$30,000	\$30,000⁵

E. Compensation, Pension, and Burial Staffing and Training

VA must take aggressive action to improve the claims adjudication process, with a focus on training and quality. The Undersigned Members believe the Administration's request for compensation,

2 - Funding is \$57 million above President's requested level

3 - Includes appropriations, collections, and reimbursements for Medical Services

4 - Funding is \$25.5 million above President's requested level

5 - Funding is \$30 million above President's requested level

pension, and burial staffing in FY11 is necessary to mitigate the impact of the recent decision to extend presumptive service-connection for certain conditions associated with exposure to Agent Orange, an increase in claims receipts, and a growing complexity in claims adjudication.

Staffing: For FY11, the President requests 16,968 FTE for compensation, pension, and burial staffing. This is a 30 percent increase over the FY10 level. Of this amount, 14,138 FTE would be dedicated to direct compensation – an increase of 1,820 FTE over the FY10 level.

The American Recovery and Reinvestment Act of 2009 provided \$150 million for the hiring and training of temporary claims processors through 2010. With this funding, VA hired 2,300 compensation, pension, and education claims processors – 1,870 of whom were dedicated solely to compensation and pension claims processing. In FY11, VA anticipates retaining these temporary hires and adding 2,050 new positions.

Workload: The disability claims workload from OEF/OIF veterans, as well as from veterans of earlier periods, has continuously increased since 2000. Annual claims grew from 674,219 in 2001 to 1,013,712 in 2009. Claims received by VA are increasingly complex, and require more time to develop and rate. In 2009, original claims for compensation with eight or more claimed issues increased from 22,776 in 2001 to 67,175 in 2009 – a 300 percent increase.

Veterans from the Vietnam conflict and the first Gulf War are aging and filing reopened claims in greater numbers. In 2009, reopened claims comprised slightly more than 56 percent of disability claims. Many veterans receiving compensation have chronic, progressive diseases such as diabetes, mental illness, and musculoskeletal or cardiovascular illnesses. It is reasonable to project that as these veterans continue to age, their disabilities will worsen and more claims will be reopened as a result.

Timeliness: VA estimates that even with its expanded C&P direct labor FTE that it will take an average of 190 days to complete a claim – 29 days longer than the current average. VA's strategic target is to complete a claim in 125 days. The Undersigned Members believe that VA must be able to absorb new court decisions, changes in legislation and regulation, the impact of other unforeseen events, and, above all, avoid becoming paralyzed to the detriment of the veterans who rely on it. The Undersigned Members additionally believe that this cannot be accomplished through staffing alone and will monitor VA's other initiatives, including the Veterans Benefits Management System, which seeks a favorable impact on the system.

The Undersigned Members will continue to monitor VBA's staffing requirements and output in FY11. We also will look to the Administration to show how it is holding managers and employees accountable for performance with the substantial additional resources provided.

Training: The President's FY11 budget submission proposes a dramatic increase in staffing for VBA. This will require an intensive training effort.

VBA has established a broad spectrum of training programs and educational resources, both at VA's Regional Offices and at the Veterans Benefits Academy in Baltimore, Maryland. Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs) are provided three weeks of centralized basic training at the Veterans Benefits Academy. The Veterans Benefits Academy also offers a range of advanced training courses in leadership and management development, as well as

computer-based learning tools and satellite broadcasts that bring the Academy's expertise directly to staff desktops.

The Undersigned Members are disappointed that the President's Budget request did not provide many particulars on the training of new FTE to enable the Committee to better understand the effect of the drastic hiring initiatives. The Undersigned Members therefore recommend that the Budget Committee require that the VA Office of Inspector General conduct an audit of VBA's hiring and training initiatives. In particular, the Undersigned Members recommend that the IG examine VBA's process for hiring, training and supervising new employees, and the Administration's progress in integrating new employees into its workforce. The Undersigned Members believe that training is an essential component of any strategy to improve the timeliness and accuracy of claims processing, and hopes that the quality of claims that are adjudicated does not suffer as VA undertakes this effort.

F. Board of Veterans' Appeals

The Board of Veterans' Appeals (BVA) is responsible for making final Departmental decisions on behalf of the Secretary for the thousands of benefits claims presented for appellate review annually.

The President's FY11 request for BVA is \$75.2 million, which would support 557 FTE, an increase of 5 FTE and \$1.925 million over the estimate for the current fiscal year. The Undersigned Members note that BVA was able to increase staffing during FY10 through use of carryover funds.

The Undersigned Members agree with the President's assessment and support the proposed increase to reduce the backlog of claims at BVA, decrease the average days pending, and further improve quality.

G. Education

The VBA's Education Service provides veterans, servicemembers, Reservists, and certain family members with educational resources. The implementation of the Post-9/11 GI Bill has presented a challenge to VA in terms of making timely and accurate payments.

The President's FY11 budget request calls for a reduction in FTE from the FY10 level – from 1,889 to 1,521. At the same time, an increase of 4.9 percent is projected in workload. The Undersigned Members are aware of the improvements in processing timeliness and the planned implementation of an automated system for claims. At this time, we have no justification for recommending any increase over the President's recommendation. However, the Undersigned Members intend to monitor the situation closely and will recommend additional resources if necessary.

H. Vocational Rehabilitation and Employment (+\$20.5 million)

The Vocational Rehabilitation and Employment (VR&E) Program provides training, education, and other services to enable veterans to obtain and maintain employment after sustaining service-connected disabilities.

The President's FY11 budget request calls for a decrease of nine in the number of direct FTE for

VR&E. The VR&E workload in 2009 continued to grow and the program experienced a 13.3 percent increase in the number of applications received. This increase is expected to continue as VR&E increases outreach and partnership activities with such programs as the Coming Home to Work program, the Yellow Ribbon program, the Post Deployment Health Re-Assessment program and the VetSuccess on Campus.

The Undersigned Members believe that in light of the growth in the program and the anticipated demands generated by the new and expanded initiatives – including an expansion in the number of veterans enrolled in the program of Independent Living Services – that an increase of 200 FTE is supported. This would mean an increase of \$20.5 million above the President's recommendation.

I. Department of Labor, Veterans' Employment and Training Service

The Veterans' Employment and Training Service (VETS) of the Department of Labor provides veterans and transitioning servicemembers with resources and services designed to maximize employment opportunities, protect employment and re-employment rights, and achieve positive employment outcomes.

The President's FY11 Budget proposes an increase of \$1 million in the amount designated for the Transition Assistance Program (TAP). The resources available for TAP should permit VETS to deliver more than 6,100 Employment Workshops throughout the world. In addition, the President's Budget includes an additional \$5 million for the Homeless Veterans' Reintegration Program (HVRP), which is focused on placing homeless veterans into jobs. This increase for HVRP will allow VETS to provide services to more than 25,000 homeless veterans – including homeless women veterans and veterans with dependent children who are homeless. This supports the President's initiative to end homelessness among veterans.

The Undersigned Members are concerned that without increased resources for additional staffing for both the State Grants program and federal administration higher costs could adversely impact the ability of VETS to deliver services effectively. However, the Committee believes the program should be able to realize efficiencies to absorb these higher costs.

J. Court of Appeals for Veterans Claims

The United States Court of Appeals for Veterans Claims (CAVC), a legal body independent of VA, is vested with the authority to review decisions of the Board of Veterans' Appeals (BVA) regarding a veteran's entitlements to benefits offered by VA. The Court is empowered to affirm, vacate, reverse, or remand decisions made by BVA, as well as compel actions of the Secretary, where such action is necessary to bring VA into accordance with the law.

The Court's budget request of roughly \$90 million for FY11 is approximately \$63 million more than the FY10 level—\$62 million of this proposed increase is attributable to the construction of a new courthouse. The construction estimate is consistent with the General Services Administration's estimate of the costs of land acquisition and construction. The remaining increase would provide an additional \$695,000 for the Pro Bono program and \$1.17 million for personnel costs. Part of this personnel increase would provide for the hiring of 3 additional FTE: an Appellate Commissioner, staff attorney, and secretarial support for judges who have been recalled. The budget request also takes into consideration the possibility of new judges joining the Court in FY11.

During FY09, the Court received more case filings than at any other time in the Court's 20-year-plus history. This amounts to a near doubling of the Court's filings in the past decade. The FY09 case load of 4,725 is the largest in the Court's history. There is no statistical indication that this trend will abate.

To address this increased workload, the Court proposes to hire three new staff: an Appellate Commissioner, a staff attorney, and a secretary to support the recalled judges. The Appellate Commissioner would review and decide procedural motions received by the Court, which average over 1,500 per month. By using an Appellate Commissioner, as other federal courts have, the Court can free up judges to focus on the merits of the cases before them. The staff attorney and recall judge secretary positions reflect the increased workload within the Court's mediation program and increased use of recall judges.

The Undersigned Members support the Court's pursuit of appropriate space and new FTE and therefore recommend that the Court's requested funding be provided.

The Veterans Consortium Pro Bono Program requests approximately \$2.5 million for FY11, an increase of \$695,000 over the level authorized for FY10. The bulk of this increase, \$477,000, would be dedicated to supporting the Pro Bono Program as a stand-alone entity no longer relying upon veterans service organizations for administrative and other assistance. The Pro Bono Program anticipates that this will require additional staff, including an executive director and additional space to house personnel.

The need for the Pro Bono Program has increased in the past few years, as more veterans seek judicial review. Demand for free legal assistance through the program has increased steadily; the Pro Bono Program received 793 requests for assistance in 2009, compared to 313 requests in 2003. Of the 849 cases evaluated by the Pro Bono Program in 2009 (an increase over the 737 cases in 2007) 265 cases were accepted into the Pro Bono Program, compared with 209 cases in 2008, the remainder being rejected for a variety of reasons.

The Undersigned Members agree with the Pro Bono Program's assessment that the demand for free legal assistance will increase in 2011 and beyond, and that veterans would benefit from the program being able to operate as a self-sufficient entity.

III. MANDATORY ACCOUNT SPENDING

The Undersigned Members support the President's FY11 budget request that would provide \$64.7 for mandatory benefits, including compensation for new Agent Orange presumptive conditions (Ischemic Heart Disease, Parkinson's, Hairy Cell and other chronic B-cell Leukemia). Of that amount, \$13.4 billion is in the form of a supplemental request to the FY10 budget to pay for the retroactive portion of the presumptive benefit as required under the *Nehmer v. VA* decision. As a result of *Nehmer*, VA is required to go through its records and identify all Vietnam veterans and survivors of Vietnam veterans who filed a compensation claim back to 1985 for one of the three new presumptive diseases. VA will then re-decide each of these prior claims under its new rules. If the claim is granted, in most cases, VA will pay benefits retroactive to the date VA first received the claim for disability compensation or dependency and indemnity compensation (DIC) for the condition.

A. Specially Adapted Housing Grants

The Committee has identified inadequacies in VA's home adaptation grant programs –namely, Specially Adapted Housing (SAH), Special Home Adaptation (SHA), and Temporary Residence Adaptation (TRA). The SAH/SHA grants allow severely disabled service-connected veterans and servicemembers to adapt their home or build a new home to accommodate their particular disability. Similarly, VA may provide a TRA grant to eligible veterans and servicemembers who temporarily reside in a home owned by a family member and need modifications to accommodate their disability. These grants maximize the ability of disabled veterans and servicemembers to live independently.

The Committee intends to conduct oversight of these programs. The Committee also anticipates legislation to adjust the amounts of each of these grants under these programs, and if called for, to make the TRA grant a stand-alone program. However, we do not currently have specific estimates for the increased cost of these programs and do not anticipate providing any offset to cover them. The Government Accountability Office is currently conducting a study of VA's implementation of TRA grants that may provide a better understanding of the funding needed for this program. An interim report issued in June 2009 showed that since TRA was established in 2006, only nine veterans have taken advantage of this benefit. The fact that the TRA grant amount counts against the SAH/SHA grants was one of the reasons for the low usage.

The Undersigned Members recommend that the Budget Resolution include adequate funding for a reasonable increase to the Specially Adapted Housing Grants in FY11.

B. Cost-of-Living Adjustment

Under current law, the COLA applied to veterans' disability compensation and survivors' DIC is rounded down to the next lowest whole dollar. VA compensation is sometimes the sole source of income for a veteran and his or her family. Over time, the effect of a COLA round-down can be substantial. We owe it to our nation's veterans to provide them with appropriate compensation, the value of which should not be reduced by inflation. Although the legal authority for an automatic COLA round-down is set to expire in 2013, we recommend that funding be provided to end the COLA round-down ahead of schedule.

The Undersigned Members recommend that the Budget Resolution include sufficient funding to not impose a COLA round-down.

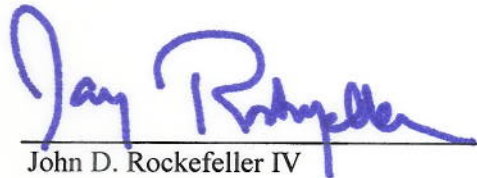
IV. CLOSING

We thank the Budget Committee for its attention to the Undersigned Members' views and estimates of the Administration's Fiscal Year 2011 budget. We look forward to working with the Budget Committee in crafting a budget for veterans' programs that truly meets the needs of those who have served our country.

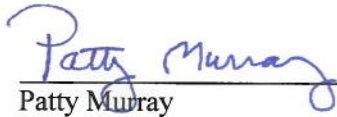
Sincerely,



Daniel K. Akaka
Chairman



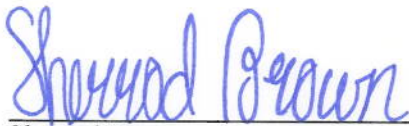
John D. Rockefeller IV



Patty Murray



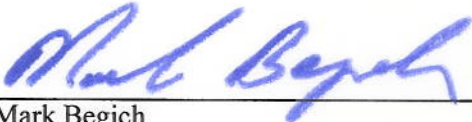
Bernard Sanders



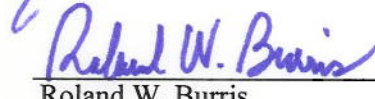
Sherrod Brown



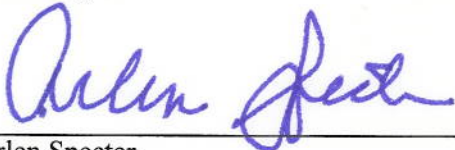
Jon Tester



Mark Begich



Roland W. Burris



Arlen Specter